

PROGRAM SUMMARY

DEPARTMENT

DEPARTMENT NO.

Contingencies

93

SOURCE OF FUNDS

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>Percent Change</u>
General Fund	\$23,800,000	\$24,740,000	\$28,860,000	16.7%
Aviation	10,000,000	10,000,000	10,000,000	-
Convention Center	5,000,000	2,800,000	5,000,000	78.6
Development Services	1,500,000	2,500,000	6,000,000	100.0
Golf	50,000	50,000	50,000	-
Public Safety Enhancement	-	484,000	733,000	51.4
Solid Waste	3,000,000	6,000,000	6,000,000	-
Transit 2000	4,020,000	9,000,000	14,500,000	61.1
Wastewater	14,821,875	14,821,000	14,821,000	-
Water	<u>26,200,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	-
TOTAL	<u>\$88,391,875</u>	<u>\$100,395,000</u>	<u>\$115,964,000</u>	<u>15.5%</u>

EXPLANATION

The Contingency Fund (also commonly referred to as a "rainy day fund") provides for revenue shortfalls and unanticipated costs that may occur after the budget is adopted. The possibility of natural disasters, public or employee safety emergencies or up-front costs for productivity opportunities necessitates the need for adequate contingency funds. Use of these contingency funds requires the recommendation of the city manager and City Council approval.

GENERAL FUND CONTINGENCY

The budget reflects an increase in the General Fund contingency from the 2005-06 budgeted level of \$24,740,000 to \$28,860,000. This increases the General Fund contingency to 2.7 percent of operating expenditures.

In 1995-96, the City Council adopted a policy to, over time, as funding allowed, increase the contingency amount to 3 percent of operating expenditures. The following table shows the progression from the 2.5 percent level in 1995-96 to 3 percent in 2000-01. In 2003-04, a budget reduction returned the base funding level to 2.5 percent. Beginning in 2004-05 the City Council once again began increasing the Contingency Fund, over time, back to a 3 percent level.

Then, as part of a five-year forecast review in May 2005, the City Council expressed interest in increasing the contingency fund to 3.5 percent if the local economy performed better than staff estimates. The 2006-07 budget increases the contingency amount by \$4,120,000 and also increases the percentage to 2.7 percent of the General Fund.

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The following table also shows set-aside amounts. Set-asides have been used in the past to prepare for known future costs such as declining grant funding and new capital project operating costs. No set-asides are proposed for 2006-07.

**Comparison of Annual Budget for General Fund Contingency Amount
to Operating Expenditures**
(000's)

Fiscal Year	General Fund Operating Expenditures*	Contingency and Set-Aside Amounts	Percent of Operating Expenditures
1995-96	\$ 633,964	\$15,625 3,000	2.5%
1996-97	674,619	17,318 1,320	2.6
1997-98	711,266	19,000	2.7
1998-99	748,937	--- 21,000 1,150	2.8
1999-00	797,633	23,408 1,800	2.9
2000-01	883,196	26,780 4,600	3.0
2001-02	887,644	26,550 7,600	3.0
2002-03	912,192	27,190 3,652	3.0
2003-04	912,583	22,700	2.5
2004-05	925,603	--- 23,800	2.6
2005-06	965,936	--- 24,740	2.6
2006-07	1,083,304	--- 28,860	2.7

*Prior to 2001-02, Development Services operating expenditures were included in the General Fund contingency calculation. A separate contingency has been established in that fund.

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OTHER FUND CONTINGENCIES

Similar to the General Fund, other funds also include contingency amounts. The contingency amounts and percentages of total operating expenditures vary to accommodate differences in the volatility of operations and revenues. Use of these amounts requires City Council approval. The following table shows the contingency amount for each of the other funds.

**2006-07 Other Fund Operating Expenditure and
Contingency Amount**
(000's)

Fund	Operating Expenditures	Contingency Amount	Percent of Operating Expenditures
Transit 2000	\$115,625	\$14,500	12.5
Development Services	64,416	6,000	9.3
Aviation	206,869	10,000	4.8
Water	185,365	30,000	16.2
Wastewater	94,993	14,821	15.6
Solid Waste	108,048	6,000	5.6
Convention Center	41,146	5,000	12.2
Golf	8,049	50	0.6
Public Safety Enhancement	24,590	733	3.0